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Discount Store News®

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SECOND CLASS

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Wal-Mart's California Laboratory

By Don Longo
An Exclusive DSN Report

PALMDALE, Calif. — Wal-Mart has been quietly testing a number of new merchandising techniques in a unique, super-large store here on the southern edge of the Mohave Desert.

Opened in August, this 143,000-square-foot store is the largest general merchandise-only Wal-Mart in the country. The chain's hypermarket and supercenter units, which range in size from 120,000 square feet to 220,000 square feet, devote much of their floor space to supermarket operations. Wal-Mart's largest current standard, general merchandise store is its 110,000-square-foot prototype.

The new store, in this small, but growing city, located about 60 miles northeast of Los Angeles, is a major departure from what has become known as Wal-Mart's 110 format. The 110 format, with its wider aisles, blue-and-gray color scheme, and open, airy feeling, has been cited by industry analysts as the vital cog in Wal-Mart's expansion into more densely-populated suburban markets. New York-based investment analysts at Goldman Sachs estimate that by year-end, about 285 stores, or 16% of Wal-Mart's store base, will conform to the 110 format.

In contrast, the massive new Palmdale store, with its crowded aisles, numerous merchandise stack-outs, and

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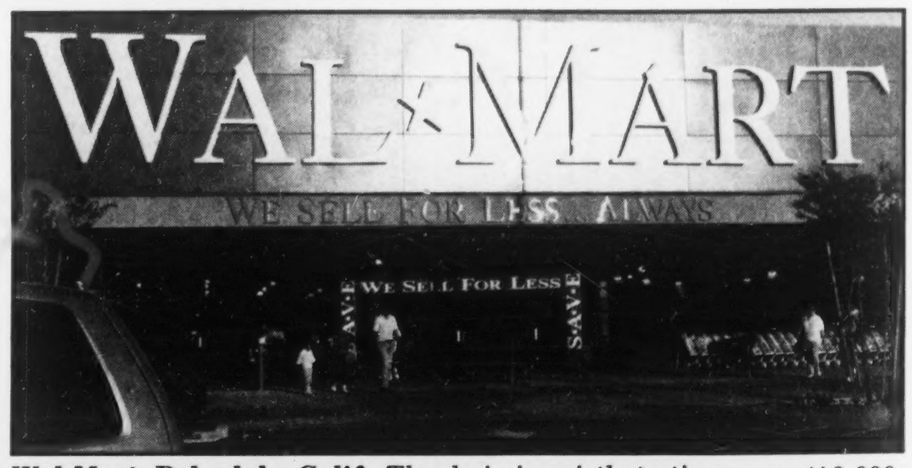

Wal-Mart, Palmdale, Calif.: *The chain is quietly testing a new 143,000-sq.-ft. format in a state where major expansion is underway.* (DSN photo)

Projected Holiday Spending: 1991 vs. 1990

% of Consumers Who Will Spend Less Than in Previous Year			% of Consumers Who Will Spend More Than in Previous Year		
	1991	1990		1991	1990
Aug.	40%	34%	Aug.	30%	32%
Sept.	44	36	Sept.	22	34
Oct.	47	44	Oct.	24	28

Source: Leo J. Shapiro & Associates

A Christmas Not Even The Grinch Would Love

By Pete Hisey
Nationwide DSN Report

It looks like the economy just mugged Santa Claus. And for retailers who suffered through a nail-biting holiday season last year, that is truly bad news.

ding to two independent surveys conducted in , Americans plan to spend less this Christ- than they did last year, with overall house- ng expected to dip 3.6%.

to a telephone survey of 500 households y Lincoln, Neb.-based Fairfield Research, consumers plan to spend more than they , and 25% said they will spend less. Total ift spending will dip from $772 last year to ar, a 3.6% drop.

apiro and Associates, a Chicago-based mar- firm, found an even grimmer set of house- rding to Shapiro chief executive officer enbaum, nearly half (47%) of shoppers said

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Sam's Layoffs, Hiring Freeze Raise Questions in Industry

By Arthur Markowitz

BENTONVILLE, Ark. — Wal-Mart has laid off 1,200 people in its Sam's Club operation and imposed a hiring freeze there, but the discounter's explanation for the moves has failed to answer questions circulating through the retail industry.

Wal-Mart and Sam's Club representatives describe the layoffs as a normal payroll adjustment that wasn't a specific response to the weak economy. The layoffs, they said, were designed to bring the wholesale club's costs in line with expenses. They declined further discussion.

Don Shinkle, corporate affairs spokesman, acknowledged that about two dozen jobs were cut at Sam's Club headquarters, with the other positions spread among the 192 clubs. Also, 12 Sam's managers were fired, reported the *Arkansas Democrat*, a Little Rock, Ark., daily newspaper.

Other sources said there was a hiring freeze at Sam's Club, but it was expected to be lifted in early November so that the stores could hire temporary seasonal employees.

Wal-Mart, recognizing the layoffs' blow to it's image as the nation's most successful retailer, has played up the 24,000 jobs its added corporatewide since Jan. 1, bringing total employment to 367,000.

But this growth only made the layoffs look worse, observers said. It raised questions about Wal-Mart's reputed controls, and why the job growth couldn't have been moderated so layoffs would

(Continued on page 31)

Canadian Tire Pushes into '90s

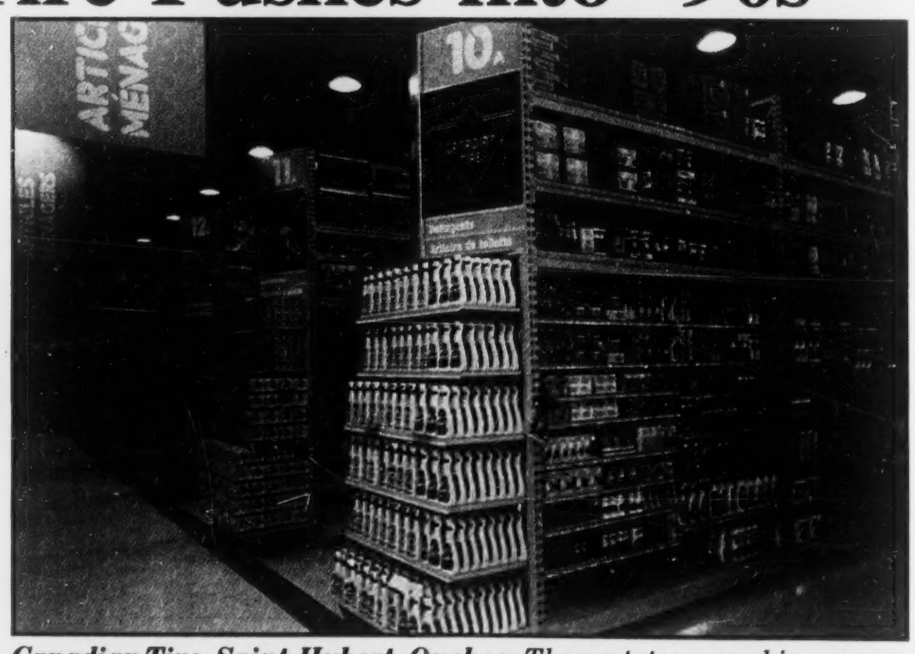
Prez Groussman Propels Company Into Next Century

By Richard Halverson

TORONTO — Canadian Tire president and ceo Dean Groussman has been burning the candle at both ends as he works to accelerate his firm's leap into the next century.

In 1991, Canada's dominant home and automotives retailer took several major steps:

- The opening Oct. 9 of a 38,000-square-foot prototype store outside Montreal utilizing warehouse type displays;
- The launching of Auto Source, a new warehouse auto chain in the United States that opened two 47,000-square-foot units in Indianapolis over the summer and will open a third in Dayton, Ohio, Nov. 15;
- Finetuning a new, automated, 1.2 million-square-foot DC intended to cut labor cuts by 30% and increase merchandise throughout by 55%;
- The planned increase in retail selling space by 40%, by boosting the ratio of selling space to storage to 80%/20% from 40%/60%;
- Testing of The Works, a 5,000-square-foot "home enhancement" boutique built within existing stores that adds 2,300 more home center skus.



Canadian Tire, Saint-Hubert, Quebec: *The prototype combines warehouse ambience with traditional shelving.* (DSN photo)

In 1990, CanTire's sales rose to $3.06 billion (Canadian) from $2.96 billion. Operating ir-

(Continued on page 27)

MARKETWATCH

NHMA Cancels Its Second Show

ROSEMONT, Ill. — The National Housewares Manufacturers Association has cancelled its "second show" after membership reiterated their disappointment with attendance at the Lifestyle Expo & Conference held in Atlanta in September. "At the present time it is clear that the industry support for the Atlanta show just doesn't exist," said Tom Conley, NHMA's executive director. "But times can and do change. Therefore we will continue to evaluate the need for additional NHMA-sponsored shows, and are open to explore any opportunity that can benefit the industry."

Comp USA Files Initial Public Offering

DALLAS — Comp USA, the nation's leading computer superstore chain, has filed an initial public offering of 6 million shares of common stock at a price of $15 to $18, for a net of $90 million or more. The chain plans to finance expansion from its 25-store base with the proceeds, as well as to pay down debt. Some 9 million shares will remain in the hands of original investors and management.

Easter Seals Praises Target's Ads

MINNEAPOLIS — For the second year in a row, the National Easter Seals Society has honored Target for using models with disabilities in its print advertising. In another ad model innovation, Wal-Mart is using store and headquarters employees, as well as their children, in its newspaper supplements. Each advertisement identifies the associate and job classification. When children appear as models, the ad identifies them and their parents.

Goody To Offer Shares of Common Stock

KNOXVILLE, Tenn. — Goody's Family Clothing has filed a registration statement with the Securities and Exchange Commission for an initial offering of 3 million shares of common stock. About 1.2 million of the shares will be offered through First Boston Corp., Robinson-Humphrey Co., and Morgan Keegan & Co. The public offering comes after a number of years of expansion for the Southern chain, which began 1989 with 90 stores and should have close to 120 by 1992. Goody expects to open 15 additional stores in '92.

Former Target CEO on ShopKo Board

GREEN BAY, Wisc. — ShopKo, which went public Oct. 8, has named former Target chairman and ceo Bruce G. Allbright to its six-man board. Although retired, Allbright also sits on the boards of two other discounters, Rose's Stores and Drug Emporium. Chairman of the board is Michael W. Wright, who is chairman and ceo of Super Valu, ShopKo's original parent. Super Valu continues to own a 46% controlling interest in the discount store chain. William J. Tyrrell, ShopKo president from 1973 until February 1991, will serve as vice chairman. Dale P. Kramer, who succeeded Tyrrell, also joins the board.

Sports Authority Pushes Count to 36

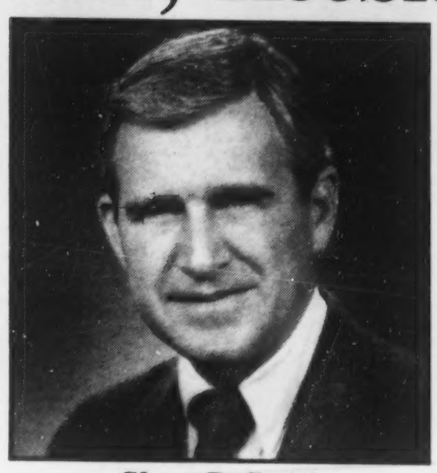
FORT LAUDERDALE, Fla. — Sports Authority, Kmart's sporting goods specialty chain, plans to open six more units this month, pushing year-end count to 36. One of those is in a new market, Atlanta, home of Sports Town, another sporting goods megastore chain. One of the units will be in Rockville, Md., and the remaining four to be opened are in Florida—two in Orlando and one each in Deerfield Beach and Jacksonville. By the end of 1992, Sports Authority expects to be operating 55 stores, including units in a major new market, New York, as well as fill-in stores in Atlanta, South Florida, Philadelphia, Detroit and Las Vegas. Of the 19 stores to open next year, about 10 will be in the metro New York market on Long Island, Westchester County and northern New Jersey.

Kmart Rolls Out Couponing Kiosks

TROY, Mich. — Kmart has rolled out "Blue Light Special Coupons" electronic couponing kiosks to 105 stores in Michigan and Ohio, after testing the terminals in one Long Island, N.Y., and eight Detroit units (see *DSN*, June 17, page 45). The kiosks, which use TSS Ltd.'s interactive technology, offer coupons for 24 different products, along with coupons for related items. At the test stores, the redemption rate has averaged 28%, and "it's been a challenge to keep couponed merchandise in stock," said George Shipes, Kmart's director of sales promotions.

Kmart Restructures Fashion Arm; Promotes Smith, Keeble, Murasky

TROY, Mich. — Kmart Apparel Corp. president Glenn B. Smith has been promoted to executive vice president, merchandising, for Kmart Corp., as part of a restructuring of the discounter's fashion division.



Glenn B. Smith

Kmart also announced two other promotions, all effective Dec. 1. Donald W. Keeble was named senior vice president, general merchandise manager, fashions, reporting to Smith. Keeble had been senior vp, special projects.

Thomas F. Murasky, currently vice president and chief financial officer, was given the title of executive vp and cfo. He will be responsible for all Kmart information systems.

Smith will now be responsible for merchandising all the hard lines and fashions for the discounter. Also reporting to Smith will be William Underwood, senior vice president, general merchandise.

Smith's promotion follows an earlier announcement that Kmart Apparel would be renamed Kmart Fashions. The name change was part of the restructuring of the division which will now operate out of Kmart's corporate headquarters in Troy rather than as a separate entity that currently operates out of offices in North Bergen, N.J.

According to the company, the apparel distribution center will remain in the North Bergen facility, but the merchandising staff will begin the move back to Troy early in 1992.

Ward, Fingerhut In Catalog Deal

By Arthur Markowitz

CHICAGO — Montgomery Ward is trying a new tack as it reenters the mail order catalog field after a six year absence.

Montgomery Ward Direct, a 50/50 joint venture with direct marketer Fingerhut, will distribute specialty catalogs to specific audiences who are most likely to buy the products, rather than the massive general merchandise Big Book that Ward formerly published. The two companies have a 15-year agreement, with renewal options.

Eleven different catalogs of 50 to 100 pages each are to be issued, with the first due by March 1992.

Sears is the only retailer issuing a large general merchandise catalog, but is trying to turn around this unprofitable $3.8 billion business (see *DSN*, July 8, page 2).

The merchandise in Montgomery Ward Direct will be geared to the demographics of Ward's customers, particularly the retailer's 10 million active credit card holders who comprise the core mailing list for the catalogs. These consumers are mainly 25- to 55-year-olds with $30,000-plus household income. The venture will also buy other mailing lists.

The Ward's list includes about 1 million customers who have also bought goods for more than a year from test catalogs, books from other direct marketers which the retailer distributed under its own name and received about a 10% commission of about 10 percent of sales. These syndication agreements have been dropped.

Montgomery Ward Direct will be based in Minneapolis, where Fingerhut, a $1.2 billion company, has its headquarters. But the venture will be a separate business from its two parent retailers with its own buyers—now being hired—and executives. The venture expected to have a staff of about 150 by the end of next year.

The merchandise in the catalogs won't be deliberately marketed in either Ward stores or Fingerhut books, although buyers for the three companies could separately purchase the same goods.

The joint venture marks Ward's move from a turnaround situation to a growth mode. It shut its original catalog operation in 1985 to cut costs and focus resources on its then troubled core retail store business. Last year Ward earned $153 million on $5.5 billion in sales.

Ward left the catalog busi-

(Continued on page 31)

BTS Show Is More Basic Than Usual

By Laura Liebeck

CHICAGO — With the slow 1991 back-to-school season now a memory, the two upcoming BTS shows offer buyers a chance to find a few hot items to lift their business out of the doldrums.

The nation's strained economy caused 1991 back-to-school sales to be even more basic than usual, several buyers told *DSN*.

For some retailers, the business was also late in coming, August vs. July, and sales were disappointing.

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EDITORIAL

Int'l Expansion: Mexico is Ripe, Ready

As a result of the collapse of Communism in Russia, the relaxation of the bureaucracy in Japan, a reunified Germany, the European Common Market, the Free Trade Agreement with Mexico and Canada, and other international developments, U.S. retailers and manufacturers are exploring new opportunities in countries where they never even imagined doing business before.

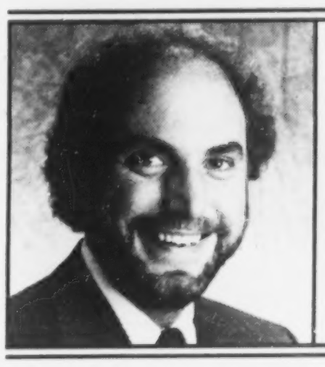
However, the reality of expanding to many Eastern European and Pacific Rim countries is still years away. Consider that:

- Russia is too risky. Many U.S. firms, lured by vast growth potential, are still wary of the political and ecomomic climate. While it would be great public relations to be the first retailer to enter Moscow as McDonald's proved, few U.S. chains can afford the risk;
- Japan is too slow to change. Kudos to Toys "R" Us for its persistence in trying to enter Japan. (TRU's first unit will open Dec. 20). But in reality it's too difficult a process for most U.S. companies. The U.S. Trade Representative lobbied hard for change in Japan to let U.S. companies enter the country, but to little avail, and the focus has since shifted;
- Canada is too expensive. With lingering recession and the high cost of doing business, many U.S. firms are not interested in Canadian expansion. Why bother? It's easier and less costly for a U.S. retailer to open stores along the U.S. border and attract Canadian shoppers than to open in Canada, as Target has proven. But expansion may pick up as the economy gets better. In fact, Sears and Price Club recently opened several units in Canada, and Kmart, with a longtime presence, is remodeling its stores. Can Wal-Mart be far behind?

There are several other countries, including East Germany and Poland, where the concept of discounting would be viable. But expansion remains risky and therefore several years away.

Perhaps the best opportunity for U.S. companies is Mexico. Few countries are as eager and as willing to do business as our neighbor south of the border.

In fact, two major U.S. retailers—Wal-Mart and Price Club—have already announced plans to enter the country. Woolworth repurchased its stake in its Mexican subsidiary and Oshman's opened the first of several stores. And Mexico's largest retailers are getting their act together, realizing the growth opportunity. Cifra, Mexico's largest retailer with more than $2 billion in sales, has joined forces with Wal-Mart. Comercial Mexicana and Grupo Gigante recently made initial public stock offers. And Comercial Mexicana has teamed up with Price Club. There's little doubt that the concept of discount retailing will proliferate in Mexico.



TONY LISANTI
Editor

According to an interview in *Business Week*, Mexico's president Carlos Salinas de Gortari has "put the country on a fast track for a Free Trade Agreement with the U.S. and Canada."

Recognizing this opportunity, *DSN* and Deloitte & Touche are co-sponsoring a Mexican study tour Feb. 20 and 21, 1992.

"Retailers should not view a free trade agreement as a threat," said E. Dean Liles, a Dallas-based regional director of TRADE Retail and Distribution Services Group of Deloitte & Touche. "We are seeing a great deal of interest among our retail clients due to the many business opportunities that exist in the Mexican market. The timetable for action is now."

According to Lilian Corvington, a senior retail specialist from Deloitte & Touche's Mexico City office, "There are few shopping centers in Mexico, slow development of national specialty chains and very few category killers." She pointed out that the major retail activity is in Mexico City, and that the country has only 43 cities with more than five supermarkets, 48 cities with more than three department stores and 61 cities with more than three chains.

The two-day study tour will be held at the Westin Camino Real in Mexico City. The program will include store and factory tours as well as an overview of Mexican retailing, an economic outlook, a political overview, and an update on the Free Trade Agreement. For more details, complete the reservation form on page 27 and fax it to Tony Lisanti, (212) 756-5125.

BUYERS & SELLERS

DSN Slates Timely Examination of Target

It was a Great "land" day for Target. On Oct. 13, the nation's third largest discount store chain opened a single-day record 22 stores across the U.S.A.

Almost exactly a year ago, Target unveiled the most exciting new general merchandise store concept of the year: Target Greatland, a 169,000-square-foot superstore prototype featuring super wide aisles, special shop areas for cross-merchandising products with similar themes, mini-information centers equipped with bar code scanners so customers could scan their own merchandise while shopping, a neon wave that tied together various departments of the color-coded store, and numerous other enhancements.

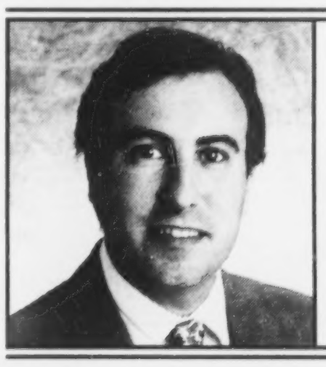
In Jacksonville, Fla., in Austin, Texas, in Bemdiji, Minn., in Columbus, Ohio, in Springfield, Ill., in Coeur d'Alene, Idaho, and in Palmdale, Calif., *DSN* editors and photographers covered the grand opening festivities of the most successful and most frequently emulated upscale discount chain in the country.

Actually only six of the stores opened Oct. 13 were technically Greatlands. But in substance, if not in name, all the new stores opened by Target incorporate enough of the Greatland prototype's features to give form to a vision of what Target will look like in the coming years.

DSN's readers will get an in-depth look at that vision Dec. 10. Through stories and photographs, *DSN* will take readers to the October grand opening, providing a glimpse of the excitement and drama of opening what amounts to a small chain of stores in a single day.

Target is in the midst of an ambitious expansion program. Indeed, at last year's Greatland opening in Apple Valley, Minn., Target chairman Robert Ulrich declared, "Target is ready to grow as never before." This past July, Target opened 19 stores on a single day, and next March, the chain reportedly plans to conduct at least 30 grand openings.

The expansion, and *DSN*'s special year-end report, comes at what appears to be a critical time in Target's history. Just two days prior to the big grand openings, president Warren Feldberg resigned from the company to take a position as chairman of Marshall's, the off-price apparel chain. Feldberg, as president and, more significantly, as longtime chief of Target's merchandising strategy, has kept the discounter focused on its concept of product differentiation and exclusivity. That concept, more than anything else, is essential to Target's success. Under Feldberg's direction, Target buyers were required to exhibit a sense of creativity in product development. They must look at the world as a shopping basket and find ways to bring that basket to the average customer.



DON LONGO
Exec Editor

I don't expect that strategy to change much with Feldberg gone. After all, chairman Ulrich has been around long enough to ensure that the chain stays true to its strengths. But the loss of Feldberg, along with several executives who followed operations vice president George Jones to Rose's Stores earlier this year, creates more challenges for the upscale discounter.

All of which makes *DSN*'s Dec. 10 special issue on Target Stores must reading for every discount industry executive.

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APPAREL

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Booties Get Boot With Kiddies

Sneakers, Hightops Are The Rage in Growing Children's Footwear Category

By Jill Lettich
Nationwide DSN Report

Infant and toddler footwear often brings to mind traditional booties and pretty Mary Janes, but today's parents have a different vision of what the well-dressed baby should be wearing. Sneakers and hightops are replacing traditional shoe styles in both "prewalking" and toddler sizes.

The infant and toddler (ages birth-to-5) athletic shoe market rang up an impressive $493.5 million at retail in 1990, an increase of nearly 7% compared to 1989. Not surprisingly, discount stores represent the largest channel of distribution for the category.

The rising shift to discounters was marked by a change in parents' shopping styles, especially when it came to athletic shoes for the wee ones.

In the '80s, expensive Nike or Reebok baby sneakers were a popular buy with Yuppie parents, mostly at department and specialty stores. Today, cute licensed characters are preferred over shoe brand names. In addition, pragmatic and recession-weary parents are looking to discounters to help them clothe their baby's feet. Discount stores have long been a draw for value-conscious parents, but statistics show that recently discounters have taken big steps in gaining children's footwear market share.

"The age of the overdone and overpriced sneaker is over," declared Max Lichy, national sales manager, Suave Shoe Corp., Miami. "Parents are going to stop paying that much for their kids' shoes. I think this generation is going to change from being the biggest spenders into the biggest savers."

Lichy said that Suave has spent the last three years concentrating on the children's market. Many discounters have done the same, viewing the children' category as one which has managed to sidestep the worst of the recession.

"In a recession the first one to stop buying clothes is the father, then the mother, but the child never does without," Lichy said. "And shoes are a unique market in that you may see a kid with mended pants for instance, but the shoes will be new."

This trend toward value buying has already begun, if one looks at the latest figures from Footwear Market Insights, Nashville, Tenn.

Infants' Athletic Footwear Market Share By Channels of Distribution[1]

Outlet	1988	1989	1990	% change 1989-1990
Discount Stores	33.5	38.0	44.2	6.2
Sears, Penney, Ward	7.6	9.1	10.2	1.0
Shoe Stores	17.5	19.4	14	(5.3)
Department Stores	7.8	9.0	7.1	(1.9)
Apparel Specialty	1.9	1.0	0.5	(0.5)
All Other Outlets[2]	31.7	23.5	24	0.3

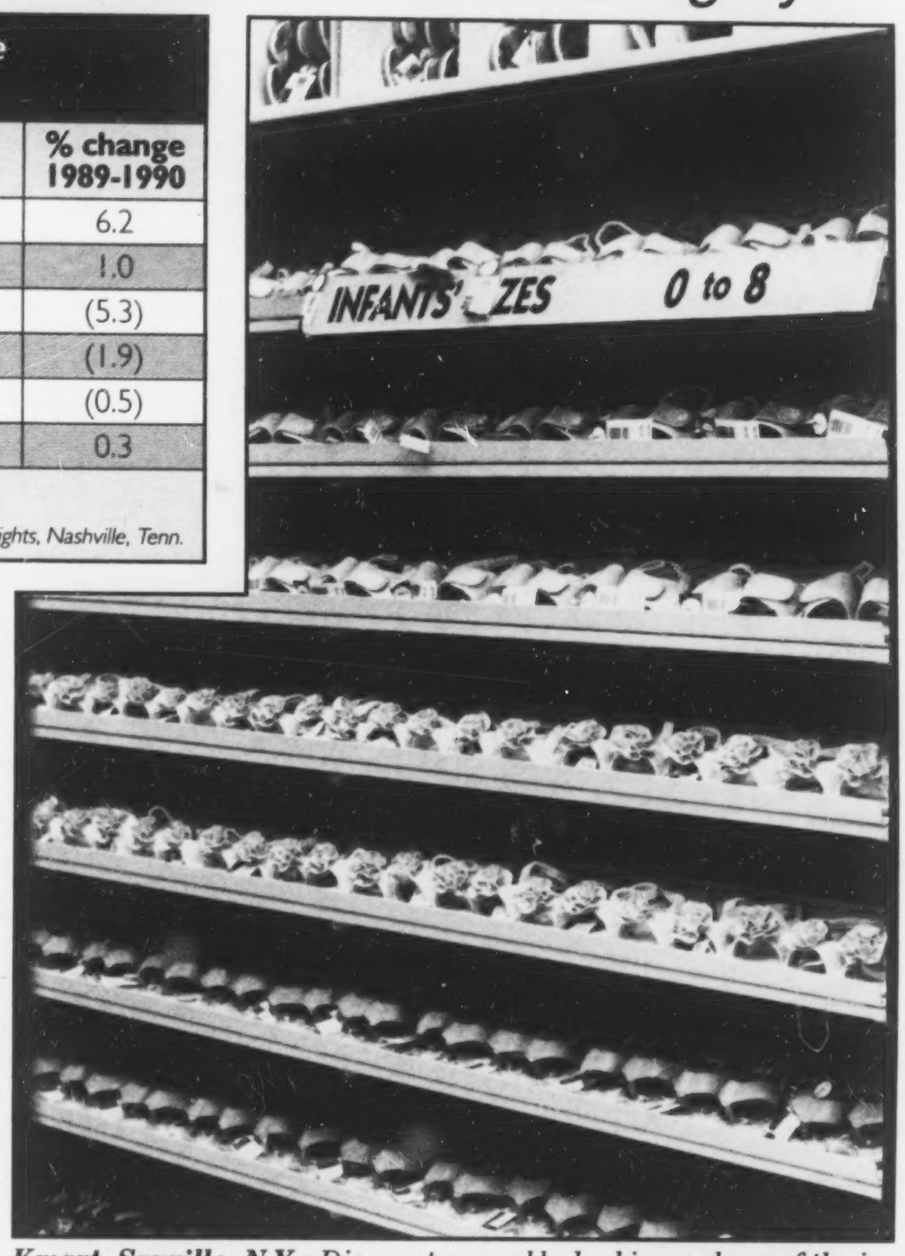
[1] *100% = Total pairs per period.*
[2] *Includes sporting goods shops, athletic shoe stores, mail order and factory outlets.*
( ) = Loss
Source: Footwear Marketing Insights, Nashville, Tenn.

In 1986, the infant athletic footwear market garnered $308.7 million in sales. In 1990, it was over $493 million.

This may seem like peanuts compared to the overall athletic market, which racked up $11 billion in 1990. But, that same year, infant's share of athletic shoe purchases was higher than either men's, women's or girls, according to the Sporting Goods Manufacturers Association. Not surprisingly, only young boys buy more athletic shoes.

FMI reported that the discount tier's share of the infant's athletic market went from 30.7% of sales in 1986 to 44.2% of sales in 1990.

Those numbers do not include shares of market for Sears, JCPenney or Montgomery Ward. The numbers are even more impressive when incorporating these mass market chains along with self-service shoe stores and factory outlets. Added together, they account for over 66% of the infants' athletic footwear market.



Kmart, Sayville, N.Y.: *Discounters grabbed a bigger share of the infant market when parents changed their style of shopping.* (DSN photo)

Also telling is the pricing trend in this market. An average regular price of $18.10 was the norm in 1989. One difficult year later, the average price consumers spent on a pair of infant athletic shoes decreased 3.9% to $17.40. A more unfortunate sign of the times, according to FMI, is

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MARKETWATCH

J. Baker Trades Shares For 29-Store WearGuard

BOSTON — J. Baker has acquired the WearGuard Corp.'s retail operations. WearGuard has 29 retail operations in 10 states primarily in the Northeast. J. Baker has acquired the assets of the retail outlets as well as a license to the WearGuard name. WearGuard specializes in work clothes. J. Baker is the parent of Casual Male/Big and Tall men's chain and Parade of Shoes. In addition, the company runs over 1,000 leased shoe departments at various discount stores. The purchase price of WearGuard's retail operations is expected to be approximately 430,000 shares of J. Baker common stock. WearGuard's retail concerns had total sales of $24 million for the 12 months ended June 1991.

In a separate announcement, J. Baker reported Charles P. Hudson had been named president of Parade of Shoes. He was previously executive vice president and general merchandise manager for Fisher/Camuto, a Brazilian-based manufacturer and retailer of women's shoes. J. Baker's total sales for the first six months of the year were $235 million, a 8.4% increase from the same period last year. Operating income for the six months ended Aug. 3 was $9.9 million.

Apparel Makers Leading in High-Tech Fiber Usage

NEW YORK — An independent research report compiled by the marketing firm of Frost & Sullivan shows that state-of-the art fiber technology is changing America's recreation habits. Apparel represented the largest portion of fiber use in the recreational market. Manufacturers are heavily using performance fibers such as polypropylene and Thermax designed to whisk moisture away from the body; Hollofil and Thinsulate which function as insulators are also in demand. According to Frost & Sullivan, Du Pont has a "commanding lead" in domestic performance fibers.

Clothestime's 400th Unit Opens; 4 More This Year

ANAHEIM, Calif. — Clothestime opened its 400th store last month, in Tampa, Fla. According to John Ortega II, chairman, the off-price apparel chain plans to open four more stores by year's end. There are currently 44 Clothestime stores in Florida. Upcoming openings in the state include Largo, Ocala and St. Augustine. The Tampa unit is in the Carrollwood Commons center that is anchored by Target, Payless, Ross and Linens 'N Things. The company announced that sales for the first eight months of fiscal 1991 increased 23% to $171.6 million, compared to $139.1 million for the same period a year earlier. Comparable store sales for the first eight months rose 13%.